Subject: Transport for London Investment Decision Making – the New Routemaster Bus

Report to: Budget and Performance Committee	
Report of: Executive Director of Secretariat	**Date: 8 March 2016**
This report will be considered in public	

1. Summary

1.1 This report provides background information to the Budget and Performance Committee for its meeting with representatives of Transport for London (TfL) to examine the decision taken by the TfL Board in February to give project authority for the purchase of up to 195 additional New Routemaster (NRM) buses.

2. Recommendation

2.1 **That the Committee notes the report, puts questions to the invited guests on Transport for London's investment decision making in relation to the New Routemaster bus and notes the discussion.**

3. Background

3.1 The concept of a new bus for London was instigated by the Mayor of London in 2008 following his election manifesto commitment to introduce a new iconic bus for London fit for the 21st century during his first term of office. The Mayor launched a design competition in July 2008 and the winners were announced in December 2008.

3.2 A procurement notice was issued in February 2009 for bus manufacturers to design and build the new buses and a contract was awarded to Wrightbus in December 2010. Following the successful delivery of the first eight NRM buses in 2012, TfL ordered a further 600 in September 2012. In November 2014, TfL added a further 200 buses to its order which will bring the total fleet size to 800 by the end of the current Mayoral term in May 2016.

3.3 TfL has a contract with Wrightbus to build the first 1,000 buses to the same specification, but once this milestone is achieved, TfL is free to contract other bus manufacturers to build buses incorporating the NRM's design features.

3.4 In January 2016 a paper went to the TfL Finance and Policy Committee requesting authority for the purchase of 30 additional NRM buses for passenger services by September 2016. The rationale for

the order was that in placing an order now, TfL would enable Wrightbus to maintain the operation of one of its production lines, which would keep open a more cost effective option for TfL to purchase additional vehicles in the future if it chose to do so. TfL Finance and Policy Committee Members asked officers to include an option of a further 165 buses (bringing the total order to 195) to be considered by the TfL Board.

3.5 On 3 February 2016, the TfL Board approved project authority for up to 195 NRM buses due for delivery by September 2016. If 195 buses are ordered, TfL will have reached the 1,000 bus milestone and hence will be free to contract other bus manufacturers to build buses incorporating the NRM's design features.

3.6 On 2 September 2015, the Budget and Performance Committee held a public meeting with TfL to discuss its decision-making in relation to the New Routemaster. At the meeting, the Managing Director of Surface Transport at TfL told the Committee that TfL did not have any plans to order more buses and increase its fleet to 1,000.

3.7 The Committee wrote to the Managing Director of Surface Transport at TfL on 22 October 2015 (See **Appendix 1**) setting out the findings and recommendations of its examination. The Committee noted that from the information in the public domain "it is difficult to understand how the TfL Board justified its decision to invest in the NRM". The Committee made the following recommendation:

> *As TfL upgrades the double-decker buses on its central London routes, the justification for ordering more NRMs or choosing to use other double-decker hybrid buses should be clearly set out and put in the public domain. Business cases for replacing buses on central London routes should include a detailed appraisal of the benefits and costs that the NRM has delivered in operation and how these compare to other hybrid alternatives. Where the benefits and costs are difficult to quantify and include in benefit: cost ratio analysis, sufficient explanation should be included within the business case to allow the public to understand how much weight has been given to these factors and ultimately why TfL has come to its business decision.*

3.8 In response to the Committee's letter, the Managing Director of Surface Transport at TfL wrote to the Committee on 17 November 2015 (See **Appendix 2**). TfL only committed to revisit the business case if "TfL develops a new vehicle again or departs from its usual financial model for business ownership and operation".

4. Issues for Consideration

4.1 The Committee has invited two guests from TfL to attend this meeting: Leon Daniels, Managing Director, Surface Transport, and Mike Weston, Director of Buses.

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications of this report.

List of appendices to this report:

Appendix 1 – Letter from the Committee to the Director of Surface Transport at TfL, 22 October 2015

Appendix 2 – Response from the Director of Surface Transport at TfL to the Committee, 17 November 2015

Local Government (Access to Information) Act 1985 List of Background Papers: None	
Contact Officer:	Lucy Pickering, Scrutiny Manager
Telephone:	020 7983 5770
E-mail:	lucy.pickering@london.gov.uk